

FILE COPY



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Camahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

September 1, 2009

Shavette Wayne-Jones, Executive Director
Hamilton Heights Neighborhood Organization
5500 Natural Bridge Avenue
St. Louis, MO 63120

RE: Community Development Block Grant (CDBG), (Project #2009-CDA59)

Dear Ms. Wayne-Jones:

Enclosed is a report of the fiscal monitoring review of the Hamilton Heights Neighborhood Organization, a not-for-profit organization, CDBG program, for the period January 1, 2008 through December 31, 2008. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of the Hamilton Heights Neighborhood Organization. Fieldwork was completed on April 6, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant subrecipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**HAMILTON HEIGHTS NEIGHBORHOOD ORGANIZATION
CONTRACTS: #08-31-48 AND 08-36-16
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

PROJECT #2009-CDA59

DATE ISSUED: SEPTEMBER 1, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
HAMILTON HEIGHTS NEIGHBORHOOD ORGANIZATION
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

TABLE OF CONTENTS

<u>Description</u>	<u>Page(s)</u>
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Responses	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	3-4

INTRODUCTION

Background

Contract Name: Hamilton Heights Community Based Development Organization (CBDO)
Hamilton Heights, Targeted Management Assistance Program (TMAP)

CFDA Number: 14.218

Contract Numbers: 08-31-48 –Hamilton Heights CBDO
08-36-16 –Hamilton Heights TMAP

Contract Periods: January 1, 2008 through December 31, 2008

Contract Amounts: \$130,000 budget revision \$51,204, Hamilton Heights CBDO
\$50,000 budget revision \$22,436, Hamilton Heights TMAP

The contract provided funds from the Community Development Block Grant (CDBG) to Hamilton Heights Neighborhood Organization (Agency) to reclaim vacant housing, initiate new construction and combat physical deterioration of existing housing.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, local Community development Administration (CDA) requirements for the period January 1, 2008, through December 31, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on April 6, 2009.

Exit Conference

The Agency was offered the opportunity for an exit conference: however, it was declined.

Management's Responses

Management's responses to the observations and recommendations identified in the draft report were received from the Agency on August 31, 2009. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project # 2008-CDA23, issued November 25, 2008 contained one observation:

- Opportunity to comply with CDA procurement policy. **(Resolved)**

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2008, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements.

1. Opportunity to improve board of directors' oversight
2. Opportunity to file IRS Form 990 in a timely manner

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity to Improve Board of Directors' Oversight

IAS reviewed the Board of Directors' (Board) minutes for the October 2008 meeting and there was no evidence that the board reviewed the financial reports and grant expenditures.

The Board should provide the oversight required to facilitate sound business management decisions and an acceptable level of internal control over compliance with the grant agreement and its requirements.

The minutes provided for review did not appear to include discussion of the Agency's financial reports and grant related expenditures.

Without adequate board oversight that included the review of the Agency's financial reports and grant expenditures, there is increased risk of the misappropriation of the grant funds.

Recommendation

It is recommended that the Agency, implement procedures for the Board to review financial reports and grant expenditures at each of its monthly meetings.

Management's Response

Financial reports are prepared and submitted to the Board Treasurer. However during the 2007 Fiscal Year the organization was having technical difficulties with its Quicken software, therefore financial reports were delayed. However, reports were updated and given to the Board for the review.

2. Opportunity to File IRS Form 990 in a Timely Manner

The Agency filed its IRS Form 990 on September 15, 2008 for its calendar year ending December 31, 2007. This form was due on May 15, 2008. However, the Agency filed an automatic 3-month extension, extending the due date to August 15, 2008, but no additional extensions were filed by the Agency.

All 501(c) (3) non-profit organizations with gross receipts over \$25,000.00 are required to file IRS Form 990 annually. This form is due on the 15th day, five months after the entity's end of fiscal year. The entity may file two separate extensions, granting the entity additional 6 months to file the Form 990.

The Agency used an outside tax service to prepare Form 990; however, it did not have internal controls in place to ensure the filing of the Form by the due date.

The IRS may enforce a penalty of \$20 per day, not to exceed the smaller of \$10,000.00 or 5% of the gross receipts of the entity for the reported year when the 990 form is not timely filed. Also, CDA may delay or suspend processing of reimbursement requests.

Recommendation

It is recommended that the Agency implement controls to ensure its IRS Form 990 and any applicable requests for extension, are filed by the required due dates.

Management's Response

We hired Charles Buchanan, CPA to prepare our 2007 Form 990. There was an extension submitted to the IRS by May 15, 2008. The IRS granted the extension. When staff contracted CPA in August regarding the whereabouts of the return, the CPA stated the extension was granted until September 15, 2008. After further review we saw the extension had been granted until August 15, 2008. The CPA still took until September 15, 2008 to deliver us the return. In the meantime, staff constantly contracted the CPA regarding the 990's completion. As soon as we received the return, we immediately mailed it to the IRS. For their mistake, Charles Buchanan, CPA invoiced us the difference between his \$1,000 preparation fee and the penalties from the IRS. Hamilton Heights paid the required penalties with its own funds. Mr. Buchanan has since relocated his practice to Mississippi.